

No.

AUDIT COMMITTEE

Minutes of a remote meeting held on 1st March, 2021.

The Committee agenda is available [here](#)

Present: Councillors: G.D.D. Carroll (Chairman), L.O. Rowlands (Vice-Chairman), Mrs. P. Drake, Dr. I.J. Johnson, K.F. McCaffer, Mrs. J.M. Norman and M.R. Wilson and Mr. P. Lewis (Lay Member).

Also present: Councillor E. Williams and Mr. S. Wyndham and Mr. I. Phillips (Audit Wales).

433 ANNOUNCEMENT –

Prior to the commencement of the business of the Committee, the Chairman read out the following statement:

“May I remind everyone present that the meeting will be recorded via the internet and a recording archived for future viewing.”

434 MINUTES –

RESOLVED – T H A T the minutes of the meeting held on 14th December, 2020 be approved as a correct record, subject to it being noted that under Minute Number 277, WRAP was an abbreviation for the Waste and Resources Action Programme.

435 DECLARATIONS OF INTEREST –

Councillors Mrs. P. Drake, Dr. I.J. Johnson, K.F. McCaffer, Mrs. J.M. Norman, L.O. Rowlands and M.R. Wilson all declared an interest in relation to Agenda Item 5 - Audit Wales: Reshaping Services Programme Review – Vale of Glamorgan. The nature of the interests was that these Councillors were also members of Town or Community Councils. All had received dispensation from the Standards Committee to speak and vote on such matters.

Councillor M.R. Wilson also declared an interest in relation to Agenda Item 8 - Corporate Risk Register Quarter 3 Update. The nature of the interest was that Councillor Wilson was a lecturer for the Cardiff and Vale College and he had received dispensation from the Standards Committee to speak and vote on such matters.

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436 LOCAL GOVERNMENT AND ELECTIONS ACT – OVERVIEW AND AUDIT COMMITTEE IMPLICATIONS (PRESENTATION) –

The Head of Policy and Business Transformation and Head of Regional Internal Audit Service gave a PowerPoint presentation, which was displayed on screen, on the implications for the Audit Committee as a result of the Local Government and Elections (Wales) Act.

The main implications for the Audit Committee being:

- Replacing audit and reporting duties with self-assessment and panel assessment (Peer review);
- For May 2021, the renaming of the Audit Committee to Governance and Audit Committee;
- From May 2022, prescribed changes to membership and Chairmanship – a third of members to be Lay Members and the Chairman to also be a Lay Member;
- To consider both the draft and final versions of the Council's self-assessment report;
- At least once during the period between two consecutive ordinary elections to consider the Independent Panel Performance Assessment report;
- To review the Council's response to the Independent Panel Performance Assessment report;
- To review and assess the Council's ability to handle complaints.

Councillor Wilson queried the makeup of the Independent Performance Panel and asked if a member of that Panel could be an ex-Councillor or Council employee. He also asked would they had to be a Vale of Glamorgan resident; would there be business representatives; and would they be reimbursed for their time. In reply, the Head of Policy and Business Transformation advised that he would check, and report back via email.

In respect to Lay Members, Councillor Wilson raised a concern regarding the ability to attract individuals with the necessary skills and knowledge. He also had a concern with 22 Local Authorities competing to attract Lay Members and he suggested that a Search Committee to be established. In response, the Head of the Regional Audit Service advised that Welsh Government had yet to publish the necessary guidance relating to the appointment of Lay Members, but there was an expectation that they would bring a particular set of skills. The idea of a Search Committee had not been raised or discussed, but this could be looked into, taking into account the potential for a national recruitment process to be established. The idea of a Search Committee was supported by Councillor Dr. Johnson.

Mr. Lewis (Lay Member) reiterated his comments made at the previous Audit Committee meeting, in that it would be difficult for most Lay Members to have the full knowledge and understanding of the workings of a Council. He therefore felt that it would be very difficult for the Chairman to be Lay Member.

Having considered the implications, it was

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RESOLVED – T H A T the Audit Committee explore the establishment of a Search Committee to investigate the appointment of Lay Members to the Audit Committee.

Reason for decision

To explore the feasibility for the establishment of a Search Committee.

437 AUDIT WALES: RESHAPING SERVICES PROGRAMME REVIEW – VALE OF GLAMORGAN (REF) –

The reference of the Corporate Performance and Resources Scrutiny Committee of 18th November, 2020 was presented to the Audit Committee.

The Head of Policy and Business Transformation advised that the report findings of Audit Wales were generally positive with the conclusion reached that the Council's Reshaping Services Programme was effectively managed and had helped deliver savings. However, there was now an opportunity to refocus the Programme and strengthen workforce planning to support its delivery. The Council had indeed made progress in meeting the objectives of its Reshaping Services Programme, however, there was more work to do to progress the third objective of the Programme around partnership working.

The report advised that Council had effective arrangements in place to govern and manage the Programme but there was scope to now refine these to support the changing direction of the Programme.

The five Proposals for Improvement were noted as follows:

- P1: The Council should consider what more it could do to work with partner organisations in order to help deliver the partnership objective of the Reshaping Services Programme;
- P2: As the Council intended for the Reshaping Services Programme to move away from being primarily associated with savings, it should review the criteria used to determine which projects were included, and the measures used to monitor the progress of projects;
- P3: The Council should identify further training and support to help staff develop the skills necessary to respond to transformational change;
- P4: The Council should ensure that its forthcoming Workforce Plan supported the delivery of the Reshaping Services Programme and there was robust identification and consideration of workforce needs in project documentation;
- P5: If there was to be a focus on more genuinely transformational projects, the Council should ensure lessons were learned from earlier projects and put in place mechanisms to strengthen any identified areas of weakness.

Councillor Dr. Johnson referred to the action plan at Appendix B to the report and asked for clarification regarding the timescales for completion of actions. In reply, the Head of Policy and Business Transformation stated that the action plan was prepared last year so now needed to be considered in conjunction with further actions to be

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considered by Cabinet which would be taken forward. Most of the actions had been substantially completed. Arrangements for the new actions would be looking at how the Programme could be developed further, and these would come into effect over the next few months.

Councillor Wilson referred to training and support for staff, stating that this was very important. He stated that it was also important to identify training needs and queried whether the Council had the necessary infrastructure and support packages in place. Councillor Wilson also queried whether the Council could learn from other Local Authorities or if the Council could do more on a collaborative basis. The Head of Policy and Business Transformation in response, advised that the Council would use a mix of both internal and external specialists, especially when it came to legal and financial aspects. In terms of the sharing of best practice or working with other Local Authorities and public sector organisations, he stated that there was a strong record of this across a range of sectors. The Vale Council was an active member of the Continuous Improvement Community, and the Council would make good use of its officer networks. Further change would be required which needed a whole Council approach, linking how the whole organisation worked, the culture and how the Council wanted to work in the future.

There being no further comments or queries, the Audit Committee

RESOLVED - T H A T the contents of the report be noted, and the report be referred onto Cabinet for endorsement of the proposed actions for improvement.

Reason for decision

To ensure that the Council responded appropriately and implemented areas of improvement as identified by Audit Wales.

438 AUDIT WALES: REVIEW OF OUT-SOURCED LEISURE SERVICES (REF) -

The reference of the Healthy Living and Social Care Scrutiny Committee of 12th January, 2021 was presented to the Audit Committee.

The Operational Manager, Neighbourhood Services, Healthy Living and Performance presented the report which outlined the findings of a review by Audit Wales of the out-sourced leisure services.

Overall, the report findings concluded that the Council was receiving an income from its leisure contract with Legacy Leisure, but needed to assure itself that the contract was providing value for money and strengthen its application of the sustainable development principle when it extended the contract.

In response to the Audit Wales report findings and two subsequent Proposals for Improvement, the Council's Director of Environment and Housing and the Operational Manager for Neighbourhood Services, Healthy Living and Performance had developed an action plan which would now be progressed by the Council.

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Councillor Wilson commented that it was important to recognise that progress had been hampered by the Covid-19 pandemic. In noting the importance of the Wellbeing of Future Generations Act, he made a recommendation for all Councillors and relevant Council officers to have training on the 'Five Ways of Working' (Long Term, Prevention, Integration, Collaboration and Involvement). The Head of Policy and Business Transformation agreed that it would be good to look at how Councillors could be supported in understanding further the 'Five Ways of Working'.

Councillor Wilson also raised a number of further queries. The first related to duties under the Equalities Act and making leisure facilities more accessible. He also asked whether more could be done to meet the needs of ethnic minorities particularly in relation to single sex sessions; what were the reasons for the increase in participation levels seen between 2016/17 and 2017/18; what did the longer term mean in the context of leisure services; and what were the key targets around closer working with Social Services and Education. In response, the Operational Manager advised:

- For duties relating to the Equalities Act, this was an important element of work, and the Council was very conscious of encouraging communities to be more active and provide opportunities as far as possible. The Council did employ a specialist Disability Officer who would be involved in particular activities within the leisure facilities. In addition, Legacy Leisure had a responsibility to meet duties outlined within the Equalities Act, and this was reported on each year in their annual report. A report had recently presented to the Healthy Living and Social Care Scrutiny Committee and this could be accessed by members of the Audit Committee;
- Regarding single sex sessions, Legacy Leisure did offer some, for example, there was a women's swimming hour at Barry leisure centre. The Council in partnership with Legacy Leisure were there to respond to demand, and Legacy Leisure had been very positive in meeting changing requirements;
- In terms of the increase in participation levels, this was not down to the way information was collected but was more to do with what had been counted as the performance indicators were not solely about leisure centres. For example, there had been difficulties in collecting data for some outdoor activities such as bowls clubs or people partaking in park runs. The Council had therefore made a concerted effort to try and count everyone participating in a leisure activity or using Council facilities. The Council was now ranked as a top 3 performing Local Authority in Wales;
- With regard to the meaning of long term, the Council did take a long term decision when it had agreed to extend the previous 10 year plus contract with Legacy Leisure. Further discussions around the contract extension were ongoing having previously been agreed before Covid, but it was important to explore all opportunities. The comments made by Audit Wales had been taken on board with the Council looking beyond the length of contract with Legacy Leisure;
- In reply to working with Social Services and Education, there was recognition within the action plan that more could be done. Some officers were already working closely with Social Services and there were officers who visited schools, but it had been recognised that more of these activities could be carried out.

No.

Subsequently, it was

RESOLVED –

- (1) T H A T the Audit Wales review in Leisure Services be noted and referred to Cabinet for endorsement of the proposed actions to address the proposals for improvement.
- (2) T H A T further training and support in relation to the ‘Five Ways of Working’ (Long Term, Prevention, Integration, Collaboration and Involvement) be considered for all Vale of Glamorgan Councillors and relevant Council officers and staff members.

Reason for decision

- (1) To ensure the Council responds appropriately and implements areas of improvement as identified by Audit Wales.
- (2) To increase knowledge and understanding of the ‘Five Ways of Working’.

439 TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2021/22 AND UPDATE FOR 2020/21 (S151O) -

The purpose of the report was to provide an interim report on the Council’s Treasury Management operations for the period 1st April to 31st December, 2020 and to submit for consideration the proposed 2021/22 Treasury Management and Investment Strategy

The interim report provided an update on the Council’s Treasury Management operations for the period 1st April to 31st December, 2020. All activities were in accordance with the Council’s approved strategy on Treasury Management. Details of monies borrowed and repaid and those invested were outlined in the report.

The report presented the proposed 2021/22 Treasury Management and Investment Strategy at Appendix 1.

The Council must ensure that the Prudential Code was complied with, which had been developed by CIPFA as a professional code of practice. To demonstrate the Council had fulfilled these objectives, the Code set out prudential indicators that should be used and the factors that must be taken into account. These were shown in Appendix 1 as part of the Strategy.

The Council also had a legal requirement to comply with the Welsh Government Guidance on Investments and had taken this into consideration when developing the Strategy.

Capital expenditure when financed by long term debt incurred two elements of cost, interest on and repayment of the principal sum borrowed. The resources the Council must put aside in each year to repay the principal sum borrowed was known as

No.

Minimum Revenue Provision (MRP) and the Council's policy for calculation was detailed in the report.

The Treasury Management Policy for 2021/22 was attached at Appendix 2 to the report.

Councillor Wilson queried whether the Council was considering the possibility of lending to other organisations. He also asked what was the expected return from the Council's investment in the Cardiff Capital Region City Deal. In reply, the Principal Accountant advised that the lending to other organisations was not part of the current Council's strategy, and as this was a policy decision, some work would be needed beforehand. In terms of the return following investment into the Cardiff Capital Region City Deal, there would not be any direct return payment to the Council.

Councillor Dr. Johnson highlighted that it was important to recognise that around 70% of the Council's revenue for investment was related to the Housing Revenue Account. In response to some points of clarification raised by Councillor Dr. Johnson, the Principal Accountant confirmed that Welsh Government had allocated revenue support via the Council's Revenue Support Grant allocation of £17m for the Vale Council in order to finance borrowing for capital projects. In addition, an amount of £2.1m had been previously advanced by Welsh Government as a loan to support the new Barry Island link road and had now been repaid.

The Chairman, Councillor Carroll, queried whether the outbreak of the Covid-19 pandemic had changed the Council's investment strategy. In response, the Principal Accountant advised that prior to the pandemic the Council had a strategy to move to a money market fund, but this had been delayed due to the pandemic. The use of a number of investment tools had proved to be invaluable over the past few months, particularly in the context of negative investment rates. The use of deposit accounts had been utilised as the Council had been dealing with high cash balances at short notice, and so needed liquidity in order to pay out cash. Therefore, elements of the Council's strategy had evolved due to the Council's cash position during the pandemic.

Having considered the report, it was

RESOLVED –

(1) T H A T the Treasury Management interim report for the period 1st April to 31st December, 2020 be endorsed.

(2) T H A T the policy for making Minimum Revenue Provision in 2021/22 be endorsed.

(3) T H A T the proposed 2021/22 Treasury Management and Investment Strategy be endorsed including the following specific resolutions (detailed in Appendix 1):

- The Authorised Limit for External Debt be set at £216.333m for 2020/21, £251.843m for 2021/22, £275.794m for 2022/23 and £288.550m for 2023/24.

No.

- The Operational Boundary for External Debt be set at £204.430m for 2020/21, £239.140m for 2021/22, £268.091m for 2022/23 and £280.847m for 2023/24.
- The Section 151 Officer be given delegated authority within the total Authorised Limit and Operational Boundary as estimated for individual years to effect movement between the separately agreed limits for borrowing and other long term liabilities.
- An upper limit is set on its fixed interest rate exposures of £151.949 for 2020/21, for 2021/22 of £194.282m, for 2022/23 of £225.120m and for 2023/24 of £238.166m of its net outstanding principal sum on its borrowings / investments.
- An upper limit is set on its variable interest rate exposures of £0 for 2020/21, 2021/22, 2022/23 and 2023/24 of its net outstanding principal sum on its investments.
- An upper limit of £0m for 2020/21, £10m for 2021/22, £10m in 2022/23 and £10m in 2023/24 is set for total principal sums invested for over 364 days.
- The amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate for 2021/22 be set as

	Upper Limit	Lower Limit
Under 12 months	20%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	40%	0%
10 years and above	100%	0%

- The Prudential Indicators set out in Appendix 1 to the report be endorsed.
- The Treasury Management Policy set out in Appendix 2 to the report be endorsed.

Reasons for decisions

- (1) Having regard to the contents of the report and discussions at the meeting.
- (2) To agree the basis of the Minimum Revenue Provision calculation for 2021/22.
- (3) The Treasury Management and Annual Investment Strategy was prepared as required by the Local Government Act 2003.

440 CORPORATE RISK REGISTER QUARTER 3 UPDATE (MD) -

The purpose of the report was to update the Audit Committee on the Quarter 3 position of Corporate Risks for April 2020 - December 2020 contained within the Corporate Risk Register as outlined in the Corporate Risk Summary Report.

No.

The report provided Members with an overview of the Corporate Risk Register for Quarter 3 (April 2020-December 2020). A risk analysis was incorporated within the Corporate Risk Summary Report (Annex A to the report). This enabled officers and Members to identify and assess trends and the cross-cutting nature of risks with the ability to drill down to the detail of risks as and when required.

The report recommended that Audit Committee:

- Note the Quarter 3 position of corporate risks for the period April 2020-December 2020 and the emerging issues contained within the report.
- Refer any other comments to Cabinet for their consideration and endorsement at the meeting when Cabinet would consider a report on the Corporate Risk Register for Quarter 3.

Councillor Wilson queried what was happening with South Lodge in Penarth, and he asked why was there a five-year work force plan as opposed to a longer term one. In reply, the Head of Policy and Business Transformation advised that the lease for South Lodge was in the process of being transferred. In terms of a five-year Workforce Plan, he stated that the workforce strategy would also contain elements of the action plan. A five-year plan had been agreed to reflect some of the issues to have been highlighted from the Reshaping Services review, including points around skills and experiences, and so this was a way to bridge the gap between the Council's current position and where it wanted to be in five years' time.

Councillor Dr. Johnson referred to environmental sustainability and the recent flooding event across the Vale which occurred last December. He asked for the Risk Register to reflect the impact of flooding in more detail.

The Committee agreed that as part of the next Risk Register update, issues affecting Additional Learning Needs, including the impact during the Covid-19 pandemic on those learners with Welsh as a first language, would be considered in greater detail.

Having considered the Risk Register update report, it was

RESOLVED –

- (1) T H A T the Quarter 3 position of corporate risks for the period April 2020-December 2020 as outlined in Annex A to the report be noted.
- (2) T H A T any other comments be referred to Cabinet for their consideration and endorsement at the meeting when Cabinet consider a report on the Corporate Risk Register for Q3.
- (3) T H A T the implications of new legislation relating to Additional Learning Needs be explored in further detail by the Audit Committee, including impact on those learners with Welsh as a first language during the Covid-19 pandemic.

No.

Reasons for decisions

- (1) To identify the Quarter 3 position of corporate risks across the Council and highlight any emerging issues and actions to be taken as outlined in Annex A.
- (2) To ensure Cabinet receives the comments of the Audit Committee when considering the Quarter 3 position.
- (3) To allow Audit Committee to explore in more detail issues relating to Additional Learning Needs.

441 PROGRESS AGAINST THE AUDIT RISK BASED PLAN 1ST APRIL 2020 TO 15TH FEBRUARY 2020 (HRIAS) –

The purpose of the report was to provide Members of the Committee with a position statement on progress being made against the audit work included and approved within the Internal Audit Risk Based Plan 2020-21.

The progress made against the approved internal audit risk-based plan was at 15th February, 2021 and was detailed in Appendix A to the report. It showed that 21 reviews had been finalised, 14 with an audit opinion whilst 2 reports had been issued in draft.

Based on the assessment of the strengths and weaknesses of the areas examined through testing of the effectiveness of the internal control environment, an audit opinion of substantial assurance had been given to 5 of the completed audits and an opinion of reasonable assurance to 8; 1 had resulted in an audit opinion of limited assurance.

34 recommendations had been made to strengthen the control environment; all were categorised as medium priority and would be monitored to ensure they were effectively implemented.

Having considered the report, it was

RESOLVED – T H A T the content of the report and the progress made against the 2020-21 Internal Audit Annual Risk Based Plan be noted.

Reason for decision

Having regard to the contents of the report and discussions at the meeting.

442 EFFECTIVENESS OF AUDIT COMMITTEE – SELF ASSESSMENT (HRIAS) –

The purpose of the report was to summarise for Members of the Audit Committee the findings of the Self-Assessment of Good Practice from the Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees Practical Guidance 2018.

No.

The effectiveness of the Audit Committee had been reviewed in line with the Chartered Institute of Public Finance (CIPFA) self-assessment of good practice. The overall effectiveness was found to be good with a few areas having recommendations for improvement.

The completed checklist and findings was attached at Appendix A to the report. The checklist indicated that the overall effectiveness of the Audit Committee was good with a few areas identified where improvements could be made. These being:

- The production of an Annual Report on the work of the Committee including obtaining feedback on its performance;
- Consideration should be given to consolidating the Terms of Reference, Purpose and Role of the Audit Committee in one section of the Constitution;
- The Terms of Reference for the Committee would need to be updated to reflect the forthcoming changes in legislation set out in the Local Government and Elections (Wales) Act in line with the specified timings;
- A training needs assessment of Members should be undertaken;
- The Committee to evaluate whether and how it was adding value and an action plan put in place to improve any weaknesses.

Councillor Wilson stated that the Audit Committee's Terms of Reference needed to be more accessible as a working document to increase the knowledge of what the Audit Committee could look at. Councillor Wilson also suggested that Microsoft Forms be used for the self-assessment questionnaire as this was a useful tool when it came to collating information. Councillor Wilson asked if some of the terminology used in the questionnaire be changed to better reflect capability. Specifically, to reconsider the terms 'Limited knowledge' and 'No knowledge'. In reply, the Head of the Regional Audit Services advised that this would be the third occasion that the questionnaire had been used, having initially been developed for Rhondda Cynon Taff with questionnaires emailed out electronically. The Head of Service stated that he would look into the use of Microsoft Forms, but he also did not want to delay the circulation of the questionnaire. He also agreed that he would be happy to look at some of the language used in the survey. Regarding the Terms of Reference, this would be brought back to a future Audit Committee for consideration, once it had been updated.

Councillor Dr. Johnson asked what actions had come out from undertaking the survey in other Local Authorities. In response, the Head of Service advised that from Rhondda Cynon Taff a training programme had been drafted to raise awareness among Members. The programme had been based on answers provided and would be developed by both internal and external Council colleagues. For Bridgend Council, results were currently being analysed but it was anticipated that a similar training programme would be developed.

Subsequently, it was

RESOLVED -

- (1) T H A T the findings in the checklist and the recommendations made be noted.

No.

(2) T H A T the completing of the skills self-assessment questionnaire be agreed with prior consideration given to changing some of the terminology used, specifically 'Limited knowledge' and 'No knowledge'.

Reason for decisions

- (1) Having regard to the contents of the report and discussions at the meeting.
- (2) In order to amend and circulate the skills self-assessment questionnaire.

443 UPDATED FORWARD WORK PROGRAMME (HRIAS) -

The purpose of the report was to provide Members with an updated Forward Work Programme for 2021/22.

In order to assist the Audit Committee in ensuring that due consideration had been given by the Committee to all aspects of their core functions, the Forward Work Programme, appended to the report at Appendix A, had been produced and was aligned to the Committee's Terms of Reference.

The Forward Work Programme would be updated to reflect changes required to the Committee's Terms of Reference under the new Local Government and Elections Act.

The Committee was asked to note the Forward Work Programme and indicate whether any additional information was required.

It was noted that a public query relating to the Statement of Accounts for 2019/20 was still ongoing, and it was agreed for an update on this to be provided to the Audit Committee in May.

There being no further comments, it was

RESOLVED –

- (1) T H A T the Forward Work Programme be noted.
- (2) T H A T the schedule of items for the next meeting, provisionally in May 2021, be endorsed, with the additional update on the Statement of Accounts for 2019/20.

Reason for decisions

(1&2) To ensure the Audit Committee was aware and informed of progress on the proposed work programme.